

AMENDMENT 1 TO RFP 01-2001
ANSWERS TO QUESTIONS ON THE ALLODIAL TITLE PROGRAM

The following is a complete listing of all the questions submitted by all vendors on RFP No. 01-2001. We have prepared our responses, which follow each question. This will be considered Amendment 1 to RFP 01-2001, and will be e-mailed to all vendors who were sent the RFP. Please do not hesitate to contact us if you need additional clarification.

Question 1.

- a) Please confirm this is entirely a new program (note page 3 speaks of “implement” and page 7 of “develop”).
- b) What are the implications of the word “conduct” in section 6.1?

Answer 1.

- a) This is an entirely new program. Nevada must develop and implement this entirely new program.
- b) The word “conduct” means to direct the course of the Allodial Title Program. The State of Nevada will manage the program. The awarded vendor must prepare the actuarial calculations and direct the State of Nevada to make any changes required to those actuarial calculations.

Question 2. In order to aid our understanding of the program, we inquire as to:

- a) What happens when an owner who purchases an Allodial Title Certificate subsequently sells the property to another person whom is older/younger than the original owner?
- b) Is it correct to assume that on death, the new owner, if this comes about through inheritance, has to begin paying taxes again?

Answer 2.

- a) When an Allodial Titleholder sells the property to another person, the titleholder must relinquish the Allodial Title Certificate, in accordance with NRS 361.915. The State Treasurer shall prepare a refund of the unused portion of the money in the allodial title trust fund that is attributable to the title being relinquished for that property.
- b) The allodial title may be transferred to the heir of the allodial titleholder upon the death of the last surviving allodial titleholder, pursuant to NRS 361.910, but that will trigger a recalculation of the cost of the Allodial Title Certificate. If the heir decides not to reestablish allodial title, he will be responsible for payment of all future property taxes.

Question 3. Please confirm that only natural persons owning a single-family dwelling may apply for an Allodial Title Certificate, i.e. companies or other entities are not eligible?

Answer 3. Yes, only natural persons owning a single-family dwelling may apply for an Allodial Title Certificate. No companies or corporations may apply, because of the on-going life and right of survivorship.

Question 4.

- a) Are we correct in treating the tax rate of \$5 per \$100 as fixed and not changing in the future?
- b) What assumptions, if any, will be mandated for estimating:
 - i) the tax bill (section 3.1.2); and
 - ii) changes to value (3.1.3)?

Answer 4.

- a) Yes, the tax rate to be used is \$5 per \$100 of assessed valuation, and that is fixed pursuant to NRS 361.900.3 and will not change in the future.
- b) No assumptions are mandated for estimating the tax bill or changes to value. The State Treasurer must ensure that sufficient money is available to pay all the future property taxes for the life of the titleholders of the Allodial Title Certificate.

Question 5. Are there any investment guidelines or restrictions on the account maintained by the Treasurer (3.1.4)?

Answer 5. Yes, the State Treasurer must follow the investment guidelines provided in NRS 355.140. The State Treasurer has also adopted investment policies on May 1, 1997 for its General Portfolio; the Local Government Investment Pool; Permanent School Fund and the Enhanced Savings Term Pool.

Question 6. Are there expenses to be borne by the trust fund e.g. investment expenses, payments to the selected vendor, administrative expenses of the State Treasurer, etc? In other words, are the disbursements limited entirely to property taxes during the lifetime of the holders of the Allodial Title Certificates?

Answer 6. No, NRS 361.920.1 provides that the State Treasurer may use not more than 2% in the fund to pay for expenses of the State Treasurer that are directly related to the cost to invest the money in the fund and to administer the program. Other than that 2%, all money must be used to pay for property taxes during the lifetime of holders of Allodial Title Certificates.

Question 7. We have every confidence in our ability to develop the costs of the Allodial Title Certificates so that (given suitable investment policies having been adopted) there is a high probability that the trust fund is sufficient to meet its obligations during the first 3 to 5 years of its existence. However, over time that high probability is likely to reduce significantly unless there is to be an ongoing monitoring function. In other words, we believe it is not practical to expect the trust fund, which we take to be a pooling of the purchase price of all certificates, to have sufficient funds under all future scenarios for the foreseeable future. This is because, for example, actual investment income may differ from what was assumed, actual mortality will not precisely follow the assumptions made, expenses (if there are any per Question 6 above) will not precisely follow the assumptions made, and so on. We therefore ask if there is to be provision for the progress of the trust fund to be evaluated from time to time, say every three to five years, by the awarded vendor? If there is then a surplus in the fund is it the intention that the costs of certificates purchased thereafter will be reduced; and alternatively is it correct to assume costs of new certificates thereafter would be increased to correct an emerging deficit?

Answer 7. Yes, the State Treasurer would require the awarded vendor to provide an actuarial review of the trust fund every two years, on or before July 30th of every even numbered year. If there were a material

surplus or a deficit, the State Treasurer may prepare that issue in its biennium budget and prepare a possible bill draft request to the next Legislature to modify the cost of the Allodial Title Certificates. Our Nevada Legislature meets once every odd numbered year, beginning on the first Monday in February, for a 120-day session.

Question 8. Is the term of the contract multi-year, as implied by 9.2 and if so how many years are to be covered?

Answer 8. Yes, the term of the contract will be multi-year. We would prepare the contract to reflect a two (2) year period, with one two (2) year extension period, for a total of a four (4) year period. We would solicit new proposals once every four (4) years.

Question 9. Is the fixed price in 9.2 to be for the first year only, or for the entire duration of the contract? It appears to us that the time to be spent by a vendor, although affected somewhat by the answers to our next questions, would nevertheless be greater in the first year than in the next 3 or 4 years. If the program is very popular then the number of people covered and the extent of the investments in the trust fund will likely grow to a stage where the awarded vendor would have to devote considerable time to the monitoring function suggested in Question 7 above.

Answer 9. The fixed price in 9.2 is to be for the contract period of two (2) years. A separate price may be quoted for the first and the second year of the initial contract period. The two (2) year extension period will be priced after negotiations between the State Treasurer's Office and the awarded vendor. If the program becomes very popular and the awarded vendor must devote more time to the monitoring function, the awarded vendor will be able to renegotiate the fixed price after the initial two (2) year contract period.

Question 10. Are we correct that you require two sets of costs, tabulated by the age of the youngest titleholder (section 3):

- a) the first being for regular purchases using a single sum;
- b) the second being to allow for payment in ten annual installments per 3.2?

Answer 10. Yes, we require two sets of costs:

- a) We require a cost if the purchaser elects to pay the cost of the Allodial Title Certificate in one lump sum; and
- b) We require a cost if the purchaser elects to pay the cost of the Allodial Title Certificate in ten (10) annual installments.

Question 11. Please confirm that the vendor will have no audit responsibility in connection with ensuring that the correct cost of each certificate is collected i.e. the State Treasurer's Office will perform this function.

Answer 11. Yes, the awarded vendor will have no audit responsibility in connection with ensuring that the correct cost of each certificate is collected. The State Treasurer's Office will perform this function.

Question 12. The timeline speaks of work beginning April 16, 2001. Do you have a target date for its completion, at least as far as developing the program is concerned?

Answer 12. The State Treasurer would like to have the actuarial calculations completed so the program may commence by September 1, 2001.

Question 13. In various places in the materials, you refer to the prepayment amount as being sufficient to pay all future real estate taxes as long as one of the titleholders is living. In other places, you refer to the prepayment amount as being sufficient to pay all future real estate taxes for a period equal to the life expectancy of the youngest titleholder of the property. Which is correct? If the payment is only for the life expectancy, what happens if the youngest titleholder outlives his/her life expectancy?

Answer 13. NRS 361.900.3 states that the cost of the Allodial Title Certificate must be calculated to the best ability of the State Treasurer so that the money paid plus the interest or other income earned on that money will be adequate to pay all future tax liability of the property for a period equal to the life expectancy of the youngest titleholder of the property. But in actuality, as long as any of the titleholders is still alive and qualifies for allodial title (has not converted the use to commercial, still lives in the residence, etc), the State Treasurer must pay all property taxes on that property. The State Treasurer is bound to pay the property tax for the actual life of any of the allodial titleholders, even if they all outlive their estimated life expectancy.

Question 14. Will the State of Nevada take responsibility for the reasonableness of the nonactuarial assumptions (e.g. increase in assessed valuation rates, the interest rate earned on the funds, etc.) with input from the actuary or will the actuary take responsibility for the reasonableness of all assumptions used in the calculations? In the alternative, is the actuary only responsible for the accuracy of the calculations based on assumptions agreed upon by the State of Nevada?

Answer 14. Yes, the State of Nevada will take responsibility for all nonactuarial assumptions with input from the actuary. The actuary is responsible for the accuracy of the actuarial calculations based on assumptions agreed upon by the State of Nevada and the awarded vendor.

Question 15. Is this a one time pricing engagement or will new contract prices be announced periodically? If annually, will the firm retained have that assignment for more than one year?

Answer 15. The initial term of the contract will be for a two (2) year period, with one two (2) year extension period, for a total of a four (4) year period. We would solicit new proposals once every four (4) years. The fixed price referred to in 9.2 is to be for the contract period of two (2) years. A separate price may be quoted for the first and the second year of the initial contract period. The two (2) year extension period will be priced after negotiations between the State Treasurer's Office and the awarded vendor.

Question 16. Does this engagement involve an annual valuation of the sufficiency of the funds at the end of each future year? This is the case with various tuition prepayment plans.

Answer 16. Yes, the State of Nevada would require the awarded vendor to provide an actuarial review of the trust fund, but only once every two years, on or before July 30th of every even numbered year, and not

every year. If there were a lack of sufficiency of funds, the State Treasurer could prepare that issue in its biennium budget request.

Question 17. Are there any other real estate prepayment programs currently in operation that you are aware of?

Answer 17. No. In research we have conducted, all the other state treasurers did not have this program in their state. They and their local governments indicated they had never heard of this concept.

Question 18. What were some of the “public policy” or other reasons behind the development of this program? Are there any newspaper or other articles that you could provide that would give additional information on the background leading up to the establishment of the program?

Answer 18. Its sponsor, Senator Rawson, introduced this bill late in the 1997 Legislative Session. Senator Rawson testified that land in this country used to be allodial in nature, meaning it could not be taxed, liened, attached, or taken away from the property owner. That absolute right to the land had been given up in our society and a person unable to pay the property taxes could be forced to sell the property. He stated that this Allodial Title Program was a way to buy out of the property tax obligation. We are enclosing a copy of the Legislative Minutes when this bill was introduced, for your review. Please refer to **Attachment A** at the end of this Amendment 1. We are not aware of any news articles that exist on this.

Question 19. In the law, it states that if the 10-payment option is selected, the last payment is adjusted for any change in assessed valuation since the date of application. It appears this is the only area of the program where future changes in assessed valuation are taken into account directly. In other words, if the single payment option is selected, any changes in assessed valuation in the future that are different from assumed do not result in any additional payment by/refund to the trustholder. Is this correct?

Answer 19. Yes, this is correct. However, if the assessed valuation decreases by a material amount, the allodial titleholder could decide to relinquish the allodial title and request a refund. In the alternative, if the assessed valuation increases by a material amount, the allodial titleholder would not be required to make any additional payment, so it would be to his benefit to continue allodial title. The only other opportunity for the State Treasurer to do a recalculation to take into account increases in assessed valuation would be if a titleholder is added or deleted, or an heir wishes to reestablish Allodial Title.

Question 20. Is it correct that separate accounts are set up for each applicant but the monies are pooled for investment purposes?

Answer 20. Yes, the State Treasurer must account for each property separately (not each individual applicant, because you could have two applicants such as a husband and wife on one application). The State Treasurer could pool the funds for investment purposes.

Question 21. Who determines the investment strategy for the underlying funds in the accounts? Is it lumped together with other state funds for investment or is there a segregation of these funds investment purposes?

Answer 21. The State Treasurer will establish the investment policies. NRS 361.920.2 requires the State Treasurer to invest the money in the trust fund in obligations, which would be legal investments for the State of Nevada pursuant to NRS 355.140. We have not yet developed any additional investment policies for the Allodial Trust Fund. While the program is small, we may pool the funds together with the General Portfolio investments. Later, when the enrollment increases, we may segregate the money. That has yet to be determined.

Question 22. The application for the program refers to an allodial account for stabilization. Could you describe how this works? Is there some assumed margin in the payment which is used to fund this “contingency” fund?

Answer 22. Yes, there is a margin to fund a “contingency” account. Pursuant to NRS 361.905, the State Treasurer must pay the property taxes from the specific property account. If that money is insufficient, the State Treasurer must pay the property taxes from the account for stabilization. NRS 361.915 provides that if the allodial titleholder requests a refund and the amount is greater than \$50, then \$25 will be credited to the stabilization account. Also, pursuant to NRS 361.920.3, the excess earnings over the estimated earnings will be credited to the stabilization account. These appear to be the only sections which authorize a mechanism to provide money for the stabilization account.

Question 23. If the last trustholder of an account dies and the heirs do not want to continue the allodial title, is there a refund of the remainder in the account to the estate/heirs?

Answer 23. Yes, the heirs may request a refund of the unused portion of the money in the allodial title trust fund that is attributable to the title being relinquished, pursuant to NRS 361.915.3.

Question 24. Please briefly describe the types of statistics that are available to help in determining the price for this? For example, is there historical data on the changes in assessed valuation rates over time?

Answer 24. This is a new program that has not been developed or implemented. The State Treasurer does not have statistics available for historical changes in assessed valuation rates over time. The 17 county assessors may be the best source for this information. The Nevada Department of Taxation may also have some of this type of data. The State Treasurer’s Office will work with the awarded vendor to obtain the required data.

Question 25. Is the same rate to be used statewide or will it vary by county?

Answer 25. The tax rate of \$5 per \$100 of assessed valuation will be used statewide. However, the rate of increase of assessed valuation could vary by county, so it may be better to not use one rate for the entire State of Nevada.

Question 26. Please confirm that the Allodial Title Certificate will terminate when the title of the single-family dwelling is passed to a new owner-occupant and that no refunds will be given to the selling owner-occupant.

Answer 26. No, the State Treasurer will prepare a refund if he receives a notice to relinquish allodial title from the selling owner-occupant, pursuant to NRS 361.915.3. If the homeowner or heir sells, leases, or transfers the property, he may relinquish the allodial title and request a refund.

Question 27. If the owner elects to pay the prepayment as ten annual installments, will the owner continue to pay their property taxes to the county treasurer for those ten years, i.e. payments are made out of the fund after all installments have been made; or will the State Treasurer begin paying the owner's property taxes to the county treasurer directly after receiving the first annual installment?

Answer 27. The owner, who elects to pay the cost of the Allodial Title Certificate in installments, must still be liable for all property tax payments, while he is making the installment payments. Upon receipt of the final installment, the State Treasurer will issue a Certificate of Allodial Title and will then make all future property tax payments to the county treasurer.

Question 28. Can the pricing of the Allodial Title Certificate vary by county?

Answer 28. Yes, the cost of the Allodial Title Certificate may vary by county, because the estimate of the future assessed valuation may vary by county.

Question 29. Does the current actual property tax rate vary across the State of Nevada, i.e. not the \$5.00 for each \$100 of assessed valuation?

Answer 29. Yes, the current actual property tax rate varies by local government across State of Nevada. The constitutional limit for the tax rate is \$5.00 per \$100 of assessed valuation. The statutory limit for the tax rate is \$3.64 per \$100 of assessed valuation. Many of the 254 Nevada local governments levy the tax rate of \$3.64 per \$100 of assessed valuation. However, the \$5.00 per \$100 of assessed valuation must be used for the Allodial Title Program calculations.

Question 30. Are there readily available sources for the information about changes in property tax rates by region in Nevada?

Answer 30. Yes, the Nevada Department of Taxation publishes an annual report, Property Tax Rates For Nevada Local Governments, for every fiscal year. The county assessors may be the best resource for information about changes in assessed valuations.

Question 31. Are there readily available sources for the information on typical returns on investments for the State of Nevada's funds?

Answer 31. Yes, the State Treasurer's Office will be able to provide that type of data. General Portfolio Investment reports and others are produced on a regular basis.

Question 32. What is the incentive for a property owner to purchase an Allodial Title Certificate?

Answer 32. A property owner would have the peace of mind that his property taxes would be paid for the life of the allodial titleholders. His property could never be taken away for non-payment of property taxes during the allodial title period.

Question 33. What is the incentive for the State of Nevada to offer an allodial title program?

Answer 33. The State of Nevada will be able to offer the protection to its eligible citizens that their property taxes will be paid by the State Treasurer. The citizens of the State of Nevada are independent and do not want government interfering in their lives when not necessary. This would provide that assurance in the property tax area. Senator Rawson sponsored the bill and was responding to the requests of his constituents. This Program was intended to protect families from losing family homes because of tax liens.

Question 34. What is the youngest age at which someone can be added as an allodial titleholder?

Answer 34. There is no age limit, so birth would be the youngest age for an allodial titleholder.

Question 35. We understand that additional titleholders can be added to the Allodial Title Certificate for only a \$10 fee. Is this true? Can the State of Nevada collect any additional funds when a new titleholder is added to the Allodial Title Certificate?

Answer 35. Yes, it is true that an additional titleholder may be added for a \$10 fee. It is also true that the State Treasurer may recalculate the cost of the Allodial Title Certificate to address the new actuarial assumptions at that time.

Question 36. Can purchasers of Allodial Title Certificates pay installments for less than ten years?

Answer 36. The State Treasurer's Office would have no objection if a homeowner wanted to pay off the installments sooner than the ten annual installment periods. NRS 361.900.3 provides authority for an installment period of not more than 10 years.

Question 37. Do the funds for the Allodial Title Certificates go into one large account to be invested by the State Treasurer, or into individual property-owner accounts?

Answer 37. Pursuant to NRS 361.920.3, the State Treasurer shall maintain a separate account in the trust fund for each allodial title and an allodial title account for stabilization. There will be one fund, the allodial title trust fund, with separate accounts for each title and and a separate account for stabilization. The State Treasurer may invest all the funds in the trust fund.

Question 38. How are the funds invested? In what types of investments will the Treasurer place the allodial trust fund money?

Answer 38. The State Treasurer shall invest the money in the trust fund in obligations, which would be legal investments for the State of Nevada pursuant to NRS 355.140. You may access our statutes at the following location: <http://leg.state.nv.us/law.cfm> for that specific language.

Question 39. We understand that the Allodial Title Program was approved by the Legislature in 1997. Is the program actually in effect today?

Answer 39. Yes, the Program was approved by the 1997 Legislature. No, the program has not yet been developed or implemented.

Question 40. If the program has been in place for a period of time, how many applications have been submitted for this program and are there any statistics kept or available demographics on these individuals?

Answer 40. The Program has not yet been developed or implemented. We do not have any applications or statistics.

Question 41. What is proposed project completion date?

Answer 41. The State Treasurer would like to have the actuarial calculations completed so the Program may commence by September 1, 2001.

Question 42. What is the decision making process for awarding this work and what other state organizations will be involved?

Answer 42. The decision making process for selecting the awarded vendor is explained in Section 5 of RFP 01-2001. The evaluation committee is an independent committee comprised of representatives of the State of Nevada or its political subdivisions. The names and agencies represented are confidential.

Question 43. Will there be an oral presentation of the proposals?

Answer 43. No, there will be no oral presentations. Please submit your written proposal in accordance with Section 4 of RFP 01-2001.

Question 44. Is there a budget for this project and if so, how much?

Answer 44. The 1999 Legislature appropriated \$150,000 for each year of the biennium to cover all the expenses of developing and managing the Allodial Title Program.

Question 45. Since the actuarial services are performed annually, what is the considered duration of the contract award (one year, three years, five years)?

Answer 45. The initial term of the contract will be for a two (2) year period, with one two (2) year extension period, for a total of a four (4) year period. We would solicit new proposals once every four (4) years. The

fixed price referred to in 9.2 is to be for the contract period of two (2) years. A separate price may be quoted for the first and the second year of the initial contract period. The two (2) year extension period will be priced after negotiations between the State Treasurer's Office and the awarded vendor. The State of Nevada would require the awarded vendor to provide an actuarial review of the trust fund every two years, on or before July 30th of every even numbered year. If there were a lack of sufficiency of funds, the State Treasurer could prepare that issue in its biennium budget request.

ATTACHMENT A

**MINUTES OF THE
SENATE COMMITTEE ON TAXATION
Sixty-ninth Session
June 5, 1997**

The Senate Committee on Taxation was called to order by Chairman Mike McGinness, at 2:00 p.m., on Thursday, June 5, 1997, in Room 2135 of the Legislative Building, Carson City, Nevada.

COMMITTEE MEMBERS PRESENT:

Senator Mike McGinness, Chairman
Senator Dean A. Rhoads, Vice Chairman
Senator Ann O'Connell
Senator Bob Coffin
Senator Ernest E. Adler

COMMITTEE MEMBERS ABSENT:

Senator Randolph J. Townsend (Excused)
Senator John B. (Jack) Regan (Excused)

GUEST LEGISLATORS PRESENT:

Senator Raymond D. Rawson, Clark County Senatorial District No. 6

Chairman McGinness opened the hearing on Senate Bill 403.

senate bill 403: Provides for issuance of allodial title for certain property. (BDR 32-104)

Senator Raymond D. Rawson, Clark County Senatorial District No. 6, testified the concept of the bill had been introduced in the 1995 session. He expressed there had been a number of criticisms and valid concerns that were raised regarding the bill. He stated the concerns had been sorted through during the interim and the current bill dealt with the issues in an equitable way.

Senator Rawson expressed most people had never heard of the concept of allodial title. He explained essentially the land in this country, when first established, was allodial by nature, meaning a person had absolute right to it: It could not be taxed, liened, attached, or taken away from the property owner. He said by and large that right had been given up in our society today. He stated through taxation of personal property, a person unable to pay those taxes would be forced to sell the land to pay back-taxes. He declared if you looked at it in that respect, a person did not have absolute right to their land, as it could be taken away by the state.

Senator Rawson defined allodial meant a total right to the land, but in a society that depends on property tax for all infrastructure, you can not opt out of a property tax. He expressed a way had been discovered to buy out of the property tax obligation. He explained essentially a property owner would pay enough money into a trust fund to guarantee property taxes would be paid. He recited an allodial trust, set up through the treasurer's office, to cover any tax rate within the limits of the constitution, gives the property owner an exemption from property tax. He concluded the property owner would never have to worry about paying the property tax again because the treasurer, through the allodial trust, would pay the tax for the individual.

Senator Rawson gave an overview of the refinements of the bill. He expressed there was no fiscal note on the bill as the allodial trust itself was able to pay for the expenses incurred by managing it.

He said if a person sold property, the allodial trust could be surrendered to the seller or the funds surrendered to the purchaser, who could also establish an allodial trust. He noted an allodial trust added significant value to the property. He mentioned property was required to be paid in full to receive an allodial title, and the right of allodial title would be surrendered if an owner wanted to borrow against the property.

Senator Rhoads questioned if a home would be reassessed if an owner invested an additional \$400,000 into the home. Senator Rawson replied that was correct but noted there were some restrictions. Senator Rhoads asked if all parts of a ranch would be covered under an allodial title. Senator Rawson replied the bill was designed to help the native-Nevadan family owning a small ranch, passed from generation to generation, who were finally forced to sell the property to satisfy the tax liens.

Senator Coffin referred to families losing their land or not being able to pass the land down to their beneficiaries and expressed a lot of that had to do with estate taxes. He mentioned it was a federal issue and change would hopefully occur, as it was currently being debated actively in Congress. Senator Rawson mentioned there was ultimately nothing that could bind the Internal Revenue Service at a state level.

Bob Seale, State Treasurer, testified on the bill from a technical point of view. He mentioned a couple of things in the bill could be changed that would extensively enhance the capacity of the bill. He said there was some narrowness in terms of the treasurer's ability to invest, which would make it difficult to get the kind of return needed.

John E. Adkins, Deputy of Cash Management, Office of the State Treasurer, testified the bill gave the treasurer's office the responsibility of creating and administering a trust, as well as the responsibility of calculating the future amount required for the payment. He said it would be touchy but could be handled because of the flexibility of the earnings associated with the investments. He outlined the investment of funds was strictly restricted to investing in only government securities. He insisted a broader spectrum of investments would give more flexibility and the liquidity required by the trust.

Mr. Adkins explained the trust would fluctuate regularly because of the calculation of refunds, causing a liquidity problem that would have to be managed. He referred to the restriction in the bill stating maturities of the investments must be matched to payments. He explained it was a good concept, but not a good investment policy, as it would tightly restrict investments, causing a minimal amount of earnings from the trust. He justified the trusts needed security and safety but also needed to earn more money. He mentioned another problem with the bill was limiting the treasurer to charge only 1 percent to administer the trust fund and manage the investment activities. He concluded the 1 percent might not be sufficient for the first couple years in respect to the amount of money earned.

Mr. Seale stated it would be relatively easy to change the language in the bill to allow the money to be invested in the General Fund, which would give a broader spectrum of investments and solve the need for the liquidity.

Mr. Adkins expressed there could also be a problem with the amount of response to allodial title, which might be a limiting factor. Mr. Seale clarified the problem could lie within the infrastructure within the treasury. He stated it was difficult to know at this time how successful the program would be. Mr. Adkins said there were a few other minor problems with the bill which could be addressed later, as the bill provided the treasurer the ability to provide regulations, and through those

regulations the problems could be clarified. Mr. Seale summarized the program could work and could be administered through the treasurer's office without a great deal of effort.

Senator Adler questioned the cost of the allodial-title program. Mr. Adkins replied an estimate could not be made because it depended upon the property itself, with respect to its assessed value. He gave an example of a \$100,000 property paying 10 years of their normal assessed taxes with an approximate 6.5 percent increase in revenues from earnings associated with the investment. He said during the 10-year period or the period the allodial title exists, there would not be an increase in the tax associated with that. He noted the basic calculation on a \$100,000 property would be 10 years multiplied by the interest earned.

Senator O'Connell asked if Mr. Adkins had discussed his concerns with Senator Rawson. Mr. Adkins replied yes.

Senator McGinness referred to the technical problems mentioned by Mr. Adkins and questioned if those were problems within the bill. Mr. Adkins replied if they were permitted to resubmit language they could take care of the problems at that time. Senator McGinness expressed if the bill was to proceed the language should be cleaned up.

Senator Rawson justified the suggestions made by the treasurer's office were valid and good suggestions. He said an appropriation could be considered and could possibly coordinate with the finance committee. He said essentially the appropriation could be returned to the General Fund so it would not cost any permanent money to set up. He noted it might take a year or two to get it back, but it could all be returned to the General Fund. Senator McGinness clarified it was the cost for the initial years when there was not enough money in the fund.

Kit Carson Weaver, Assessor, Carson City, stated there had been quite a few loopholes in the bill presented last session and this bill basically cleared up those loopholes. He referred to page 3, section 3, subsection 2, stating the property owner was allowed to add on to the property without any further consequence tax-wise. He expressed concern over a large parcel of land, originally single-family residential, being changed by a commercial improvement. He pointed out the bill stated it must be single-family resident to qualify but did not limit it to remaining single-family residential in the future. He suggested restrictions for single-family residential.

Senator McGinness stressed if they applied for a single-family dwelling they should not be allowed to use that as a means to develop it commercially. Senator Rawson expressed he understood the concern and would not want this to become a loophole for someone to construct a manufacturing facility tax-free, but by the same token did not want to completely limit a family business. He referred to section 5 stating "at the time the home is converted to anything other than a single-family dwelling occupied by the owner, essentially they relinquish their title." He gave an example of a situation where the loss of a spouse occurred and the family started a mail-order business out of their home, and expressed he would not want the title taken away in that situation. He emphasized the purpose of the bill was not to place significant hardship on people by restrictions.

Senator Coffin suggested the bill be written to allow only the percent permitted, that was residential, reducing the percent of allodial protection. Senator Rawson insisted if someone owned a business you would not want to extend the homestead right and give them immunity for their business. He declared the bill should not be too complicated and suggested allowing section 5, subsection 1, paragraph (c) to exist. Senator Adler remarked he felt the bill was fairly clear.

Mr. Weaver clarified the assessor's office was not concerned with the single-family residence, rather an industrial or commercial project being built. Senator Adler suggested clarifying the bill by adding "any portion of the property converted." Senator Rawson said it was not his intention to

allow someone to subdivide part of their ground, making a rental business, and have allodial title. He suggested putting a phrase in stating "anything other than agricultural" or something that would support the basic lifestyle centered around those types of landowners.

Senator O'Connell asked if a large family resided on the property or if there was a guest house on the property, would it eliminate it from being a single-family residence. Senator Rawson replied his understanding of the current law was a property owner could have a guest house and it would still be considered a single-family residence. He clarified if you rented the property out, it would no longer qualify as a single-family residence. He maintained if you had your parents living in a guest home in order to care for them, he did not think it would be a problem, but if you went beyond that it would be.

James Dan, Lobbyist, State Chairman, Libertarian Party of Nevada, stated support of the bill but felt it did not go far enough. He said ideologically allodial title should mean no payment of money, it should not have to be bought. He voiced, given the current realities of taxation and government spending, no one would even consider voting for the bill if the provisions were removed. Therefore he withheld objections to that provision.

Mr. Dan stated there were some technical items to be addressed. He suggested small farmers and ranchers in rural Nevada might put the ownership of such properties into corporate name making it easier to handle. He said there was no provision in the bill for corporate ownership of property for the purposes of allodial title. He said it might be worthwhile to consider a form of corporate ownership where the occupants were the principal shareholders of that corporation.

Mr. Dan addressed the concerns of the state treasurer's office as to how popular the bill might be. He said he did not know if it would require legislation but suggested encouraging mortgage companies, processing 30-year loans on residential property, to also calculate the allodial title. He stated it would be beneficial to allow people to buy the allodial title with their home, allowing them to purchase the title over a 30-year period. He justified it would allow more people to be involved in the program by allowing them to afford allodial title. He said the state would receive installments for the payments of the allodial title over the 30 years, with title granted when full payment was made. He declared this would be a way for the state treasurer to acquire the funds to administer the program.

Janine Hansen, Lobbyist, President, Nevada Eagle Forum, spoke in support of the bill in concept and suggested letting people know it existed. She said the bill would be particularly helpful to senior citizens looking to maintain their homes at the point in time when they have no income. She expressed it would be difficult to get the funds needed to maintain the program unless people knew it existed. She suggested informing people through senior citizen centers.

Mr. Gillings, Concerned Citizen, testified he was not against the bill, but emphasized it should not bear the name "allodial" because it had nothing to do with allodial. He said the most unfair, un-American tax that had ever existed, worse than income tax, was property tax because no one ever owns anything. He said the bill was needed, and was a starting point. He mentioned he was also speaking on behalf of Ike Yochum.

Kristine K. Jensen, Lobbyist, Chairman, Nevada Concerned Citizens, testified in support of S.B. 403. She expressed the bill was a true concept of allodial title, absolute ownership. She concluded the bill would be one step towards true ownership of property.

Vicky Peterson, Nevada Concerned Citizens, testified in support of S.B. 403 and concurred with Ms. Jensen's testimony.

Juanita Cox, Lobbyist, People to Protect America, stated opposition to S.B. 403. She quoted a definition from Blacks Law Dictionary, sixth edition, 1990, for allodium. She stated appreciation of the intent of the bill, but declared understanding of the limiting of allodial title. She expressed resentment of the use of the words "allodial title" because it was not the true definition of the word. Chairman McGinness closed the hearing on S.B. 403 and opened the hearing on S.B. 423.